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# ANNUAL REPORT

# 1998

# Waterfront Development Corporation Limited

The Cable Wharf
1751 Lower Water Street
Halifax, Nova Scotia
B3J 1S5

Telephone: (902) 422-6591
Telefax: (902) 422-7582
e-mail: waterdcl@netcom.ca

**Waterfront Development Corporation Limited**

# Message from the Corporation for 1997-98

## Operating Profits Increased by Over 30 Percent

The 1997-98 results include a substantial net earnings increase primarily attributed to a steady growth in our rental incomes including parking coupled with a reduction in corporate expenses.

The following highlights the significant projects and programs undertaken and completed in this period:

## Property Acquisition, Management and Development

Land Acquisition Program as Part of our Multi-Year Business Plan

The additional land assembly by WDCL provides an unparalleled opportunity to develop a world class waterfront in the heart of Atlantic Canada.

Our Shareholder, the Government of Nova Scotia approved an increase in our loan guarantee from $9 million to $14.5 million. Our goal was to obtain direct ownership that will ensure future development on these sites between the Cable Wharf property and the Nova Scotia Power Inc. site in Halifax will be effectively planned. Purchasing these sites now was necessary to preclude high rise / high density developments being constructed throughout the central waterfront. Our Business Plan was revised backed by a new credit line including $10.4 million for the five individual properties.

• The title claim made by HPC on behalf of the Federal Government against the South Battery lands was resolved by a cash offer through the Halifax Port Corporation, subject to Treasury Board's approval which is expected by the Fall of 1998.

• The Corporation proceeded with the construction of the South Battery boardwalk and wharf extension.

• WDCL and the developer, Southwest, have both made applications to HRM for a contract development agreement which will permit the

construction of the apartment buildings and public areas to commence by late 1998.

• The new Heliport wharf is managed by WDCL. Flights are limited to the air ambulance service which has been up to 44 flights per month plus infrequent use by the Provincial Department of Natural Resources for VIP flights.

Promotions

During 1997-98, the waterfront hosted several major festivals and events including the visit of the replica of John Cabot's vessel, *The Matthew* , an Italian festival, Buskers', Waterfront Winterfest, and special Christmas events.

Special promotional events include the Tall Ships 2000. A contract for project management was awarded by the Board of Tall Ships Nova Scotia to Bristol Communication. WDCL have continued to provide support services to the TSNS Board and the Chair and President of WDCL serve on the TSNS Board. It is projected that through private sponsorship funds and / or Federal Government Millennium funds, a further $2.4 million worth of additional wharfage and walkways will be completed before the arrival of the largest gathering of Tall Ships in history.

WDCL is hosting the visit of Captain Cook's replica "The Endeavour" in October 1998 and assisting the HRM 250th anniversary committee for their waterfront program in 1999.

Coordination and Planning

Partnership with HRM on joint interests on the waterfront such as docking services and seasonal tenders have been initiated. The Corporation has embarked on a public - private partnership negotiation with the Nova Scotia Power Inc. for the redevelopment of their wharf and possibly the balance of their lands.

## Outlook for 1998-99

The Corporation's Business Plan includes over the next three years, a $6 million investment in new projects (over and above the recent land acquisitions that totalled $10.4 million). $2 million of this financed through our operating profits with $4 million projected from Federal-Provincial grants.

Annette Marshall, Chair

Fred Were, President

**Chartered Accountants**
Canadian Member Firm of
Grant Thornton International

Doane Raymond

# Waterfront Development Corporation Limited
# Financial Statements

March 31, 1998

## Contents


| | Page |
|---|---|
| Management Statement on Financial Reporting | 1 |
| Auditors' Report | 2 |
| Statements of Earnings and Deficit | 3 |
| Balance Sheet | 4 |
| Statement of Changes in Financial Position | 5 |
| Notes to the Financial Statements | 6-9 |

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Doane Raymond

# Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Doane Raymond, Chartered Accountants report directly to the shareholder.

Fred Were
President and Chief Executive Officer

Annette Marshall
Chair
Board of Directors

P.O. Box 426
Suite 1100 Cogswell Tower
2000 Barrington Street
Halifax, Nova Scotia
B3J 2P8
Tel: (902) 421-1734
Fax: (902) 420-1068

**Chartered Accountants**
Canadian Member Firm of
Grant Thornton International

Doane Raymond

# Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1998 and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998, and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

Doane Raymond

Halifax, Nova Scotia
May 6, 1998

Chartered Accountants

P.O. Box 426
Suite 1100 Cogswell Tower
2000 Barrington Street
Halifax, Nova Scotia
B3J 2P8
Tel: (902) 421-1734
Fax: (902) 420-1068

# Waterfront Development Corporation Limited
## Statements of Earnings and Deficit

| Year Ended March 31 | 1998 | 1997 |
|---|---|---|
| Revenue | | |
| Rents | $ 1,854,661 | $ 1,793,679 |
| Recoveries | 4,574 | 49,758 |
| Interest income | 11,592 | 10,934 |
| Other income | 5,392 | 46,177 |
| | 1,876,219 | 1,900,548 |
| Property expenses | | |
| Property taxes | 83,158 | 105,691 |
| Operating | 336,586 | 318,772 |
| Depreciation and amortization | 222,490 | 255,325 |
| | 642,234 | 679,788 |
| Income before other items | 1,233,985 | 1,220,760 |
| Corporate expenses | | |
| Directors fees and expenses | 24,727 | 41,724 |
| Doubtful accounts | 44 | 3,410 |
| Office operations | 37,943 | 46,826 |
| Professional fees | | |
| Audit | 7,700 | 6,875 |
| Consultants | 23,229 | 16,855 |
| Legal | 44,493 | 57,018 |
| Salaries and benefits | 272,604 | 266,163 |
| Waterfront promotions and public relations | 30,168 | 78,916 |
| | 440,908 | 517,787 |
| Loan interest | | |
| Expense | 236,218 | 316,353 |
| Contributions from the Province of Nova Scotia | (336,000) | (344,000) |
| | (99,782) | (27,647) |
| Depreciation on facilities for public access | 73,889 | 72,802 |
| | 415,015 | 562,942 |
| Net earnings from operations | 818,970 | 657,818 |
| Writedown in value of property | | (269,162) |
| Gain on sale of property | 20,000 | 9,716 |
| | 20,000 | (259,446) |
| Net earnings | 838,970 | 398,372 |
| Transfer to General Development Fund (Note 8) | (830,000) | (380,000) |
| Transfer to Deficit | 8,970 | 18,372 |
| Deficit, beginning of year | (2,507,409) | (2,525,781) |
| Deficit, end of year | $ (2,498,439) | $ (2,507,409) |

See accompanying notes to the financial statements.

# Waterfront Development Corporation Limited
## Balance Sheet

| March 31 | 1998 | 1997 |
|---|---|---|
| **Assets** | | |
| Cash | $ | $ 16,828 |
| Receivables - trade | 61,233 | 82,769 |
| Notes receivable (Note 3) | 181,140 | 204,959 |
| Prepaids | 19,369 | 42,954 |
| Real estate and development projects (Note 4) | 22,011,271 | 18,546,758 |
| Deferred pension cost | 14,512 | 15,419 |
| Deposits (Notes 9) | 220,000 | |
| | $ 22,507,525 | $ 18,909,687 |
| **Liabilities** | | |
| Bank indebtedness (Note 5) | $ 408,670 | $ |
| Payables and accruals | 2,484,465 | 234,267 |
| Loan payable (Note 6) | 6,000,000 | 5,900,000 |
| | 8,893,135 | 6,134,267 |
| **Shareholders' Equity** | | |
| Capital stock (Note 7) | 3 | 3 |
| General Development Fund (Note 8) | 2,365,000 | 1,535,000 |
| Contributed surplus | 13,747,826 | 13,747,826 |
| Deficit | (2,498,439) | (2,507,409) |
| | 13,614,390 | 12,775,420 |
| | $ 22,507,525 | $ 18,909,687 |

Commitments (Note 9)
Subsequent event (Note 11)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

# Waterfront Development Corporation Limited
## Statement of Changes in Financial Position

| Year Ended March 31 | 1998 | 1997 |
|---|---|---|
| Cash derived from (applied to) | | |
| **Operating** | | |
| Net earnings | $ 838,970 | $ 398,372 |
| Depreciation and amortization | 296,379 | 328,127 |
| Gain on sale of property | (20,000) | (9,716) |
| Write down in value of property | | 269,162 |
| | 1,115,349 | 985,945 |
| Change in non-cash operating working capital (Note 10) | 2,076,226 | (52,665) |
| | 3,191,575 | 933,280 |
| **Financing** | | |
| Decrease (increase) in notes receivable, net | 23,819 | (197,886) |
| Increase in loan payable | 100,000 | 500,000 |
| | 123,819 | 302,114 |
| **Investing** | | |
| Purchase of | | |
| Equipment | (6,678) | (7,922) |
| Real estate and construction projects | (4,363,314) | (1,230,843) |
| Proceeds from sale of property | 629,100 | 80,000 |
| | (3,740,892) | (1,158,765) |
| Net (decrease) increase in cash | (425,498) | 76,629 |
| Cash, net of bank indebtedness | | |
| Beginning of year | 16,828 | (59,801) |
| End of year | $ (408,670) | $ 16,828 |

See accompanying notes to the financial statements.

## 1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

## 2. Summary of significant accounting policies

**Capitalization**
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

**Government assistance**
Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

**Income taxes**
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

**Depreciation**

**Building and equipment**
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

**Long-term lease**
The cost of the lease referred to in Note 4 is amortized over its term.

**Development costs**
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

### 3. Notes receivable

| | 1998 | 1997 |
|---|---|---|
| Note receivable bearing interest at a variable rate, repayable in blended monthly payments of $451, matured August 1997. | $ | $ 2,050 |
| Note receivable bearing interest at 7%, repayable in blended monthly payments of $1,185, maturing March 2002, secured by an assignment of land and building. | 49,649 | 60,000 |
| Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006. $75,000 of the principal amount has been guaranteed by a third party. | 131,491 | 142,909 |
| | $ 181,140 | $ 204,959 |

### 4. Real estate and development projects

| | Cost | Accumulated Depreciation | 1998 Net Book Value | 1997 Net Book Value |
|---|---|---|---|---|
| Real estate and development projects | $ 26,431,773 | $ 4,420,502 | $ 22,011,271 | $ 18,546,758 |

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

### 5. Credit facility

The bank indebtedness is a general operating line of credit to a maximum of $1,000,000 bearing interest at prime, less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

### 6. Loan payable

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

## 7. Capital stock

| | 1998 | 1997 |
|---|---|---|
| **Authorized:** | | |
| 5,000 shares without nominal or par value | | |
| **Issued:** | | |
| 3 shares | $ 3 | $ 3 |

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

## 8. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

## 9. Commitments

(i) The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

| | |
|---|---|
| 1999 | $ 6,500 |
| 2000 | 6,500 |
| 2001 | 6,500 |
| 2002 | 6,500 |
| 2003 | 6,500 |

(ii) The Corporation has an outstanding offer to purchase property currently owned by Public Works and Government Services Canada for a purchase price of $2,200,000. A refundable deposit of $220,000 has been made and is recorded in these financial statements.

## 10. Change in non-cash operating working capital

| | 1998 | 1997 |
|---|---|---|
| Receivables | $ 21,536 | $ 8,498 |
| Prepaids | 23,585 | 78,176 |
| Payables and accruals | 2,250,198 | (123,920) |
| Purchase deposits | (220,000) | |
| Deferred asset | 907 | (15,419) |
| | $ 2,076,226 | $ (52,665) |

### 11. Subsequent event

The Corporation entered into an agreement with Manufacturer's Life Insurance Company to purchase a property for $3,600,000. The closing is scheduled for May 15, 1998.

### 12. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

### 13. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 1996 and includes pension assets of $2,255,530,000, and pension liabilities of $2,105,620,000, resulting in a pension surplus of $149,910,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.